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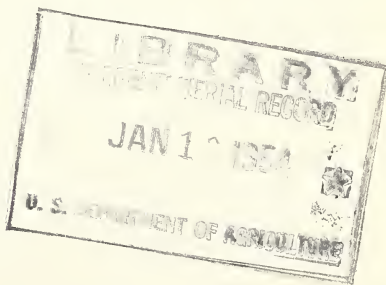
# Report of

**the Manager**

**of the**

# *Federal* **CROP INSURANCE CORPORATION**

**1953**



UNITED STATES DEPARTMENT OF AGRICULTURE

## LETTER OF TRANSMITTAL

UNITED STATES DEPARTMENT OF AGRICULTURE,  
FEDERAL CROP INSURANCE CORPORATION,  
*Washington, D. C., October 16, 1953.*

HON. EZRA TAFT BENSON,  
*Secretary of Agriculture.*

DEAR MR. SECRETARY: I present herewith the Annual Report of the Federal Crop Insurance Corporation for the fiscal year 1953. This report summarizes the Corporation's experience for the crop year 1952 which, as you know, was prior to the appointment of the present Board of Directors and Manager.

Sincerely yours,

CHARLES S. LAIDLAW,  
*Manager.*

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# **Report of the Manager of the Federal Crop Insurance Corporation**

## **DROUGHT EMPHASIZES INSURANCE NEED**

Why Federal Crop Insurance was started back in 1939 following the devastating drought of the thirties has been strongly emphasized the past 3 years (1951-53) as drought has ruined crops and pastures over large areas and threatened even wider destruction. Drought has changed the position of farmers in some areas from comparative prosperity to a fight for survival.

Federal Crop Insurance represents an effort to borrow a leaf from the book of sound business principles by developing a crop insurance program under which farmers can join together for their mutual protection against crop catastrophes which destroy both profit and investment. Its protection does not take hold until, through no fault of his own, the insured farmer's crop production drops below the level of his investment. Properly developed and operated crop insurance can provide a practical way for farmers to guard against being recipients of emergency or relief financing and spending.

Although crop insurance is still very much in the development stage regarding both the extent and the soundness of its operations, the Corporation, during the last 3 years, has paid out about \$70,000,000 in indemnities to insured farmers whose crops were destroyed or severely damaged by natural hazards beyond their control. These losses have required virtually the entire premium income which means that no reserves have been accumulated against future losses. The administrative costs of this all-risk crop insurance protection have come from appropriations by the Congress for that purpose.

Again in 1953 drought ruined many winter wheat and tobacco crops, and after saving rains removed the spring wheat area from the grip of drought, rust did extensive damage to fields where farmers were preparing to harvest bumper wheat crops. The 1952 drought did extensive damage to crops and pastures and carried over into 1953 to bring to the brink of financial disaster many farmers and livestock men in the areas hardest hit. In 1951 the drought had started in the Southwest and spread to other major wheat-producing areas, while excessive rains caused heavy damage in the Midwest and delayed corn planting on many farms so that heavy frost damage resulted before the corn had matured that year.

Where crop insurance has been available to cushion the shock of crop disasters such as those mentioned above, bankers and other financial leaders have learned that crop insurance is not only a healthy substitute for relief measures but also, through its collateral assignment, a major credit asset to both the borrower and the lender. The collateral-assignment feature of a crop insurance policy enables many farmers to get credit from private sources which otherwise would not be available to them.

For the 1953 crop year 925 county insurance programs were operated in 847 counties. The location of these counties is shown on the map (fig. 1).

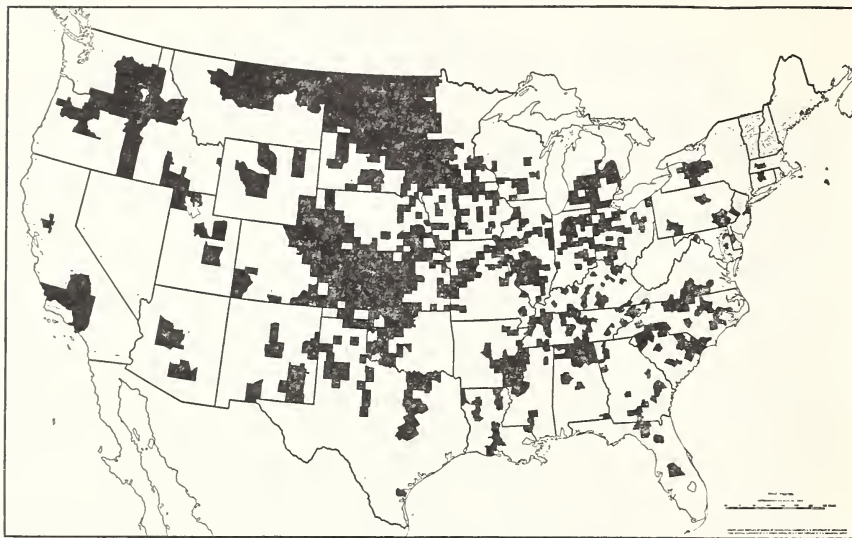


FIGURE 1.—Location of counties in which 1953 crop insurance programs are operating.

### Legislation Authorizes Expansion

Expansion of crop insurance operations was authorized by Public Law 261, which amended the Federal Crop Insurance Act to provide:

Beginning with crops planted for harvest in 1954, crop insurance may be offered each year in not to exceed 100 counties in addition to the number of counties in which such insurance was offered in the preceding year. In determining the new counties in which such insurance is to be offered and the commodities to be insured, the Corporation shall take into consideration the demand of farmers for such insurance, the extent to which such insurance is available to commercial producers of insured commodities, and the anticipated risk of loss to the Corporation.

This authority provides a maximum of expansion that could be soundly made in any one year as the Corporation is permitted to expand its operations. It also will enable the Corporation to expand the number of counties in which insurance is offered on more than one crop. This will make it possible to offer farmers in many counties better insurance protection than if a single crop were insured. It is felt that this is a very important change at this time, since review of the Corporation's operations by the new Board of Directors and Manager has revealed numerous counties where the insurance on a single crop neither offers adequate insurance coverage to the majority of the farmers in the county nor makes possible an operation of sufficient premium volume to justify the administrative costs involved.



The pattern of the gradual expansion of county programs since 1948, when the 80th Congress amended the legislation to require sounder operations and to reduce the scope of operations so that a more experimental approach could be taken toward the development of a crop insurance program as nearly self-sustaining as possible, is indicated by the following tabulation:

County program:	1948 Number	1949 Number	1950 Number	1951 Number	1952 Number	1953 Number
Wheat-----	200	199	283	356	390	407
Cotton-----	53	52	80	101	98	109
Flax-----	48	48	63	61	59	54
Tobacco-----	32	35	52	69	82	103
Corn-----	36	44	73	98	99	108
Bean-----	4	9	18	29	30	30
Multiple crop-----	2	7	55	95	115	113
Citrus-----	-----	-----	-----	1	1	1
Total-----	375	394	624	810	874	925

The latest amendment to the legislation provides that "farms situated in a local producing area bordering on a county with a crop insurance program" may be included in the county program. This will enable the Corporation to take a more practical approach to providing insurance in such areas and also an approach more logical from the standpoint of the producers involved.

### SUMMARY OF EXPERIENCE FOR 1948-52

Since a period of years is more significant in reviewing insurance experience than one year, the Corporation's cumulative experience for the 5-year period from 1948 through 1952 is reviewed first. Although Federal all-risk crop insurance has been operating since 1939, the entire program was reoriented by the Congress effective in 1948 to overcome defects in operations which were apparent after study of the early experience.

Although the combined national results during this 5-year period since 1948 represent a major improvement over the earlier experience, very little reserve against future losses has been accumulated compared to the annual liability of the Corporation. Over the 5-year period, premium income exceeded indemnities paid by \$2,250,000. Insurance protection provided under the 1952 contracts exceeded \$350,000,000.

This experience does reflect a favorable balance of premiums over indemnities which was the first goal to be attained under the sounder approach in the development of crop insurance which got under way following the legislative changes effective in 1948. It also emphasizes the need for faster accumulation of reserves before real progress can be made toward putting the program on a more self-sustaining basis which is the eventual goal—in addition, of course, to making this basic all-risk protection of crop investments generally available to farmers.

## Premiums, Indemnities, and Loss Ratios

1948 — 1952

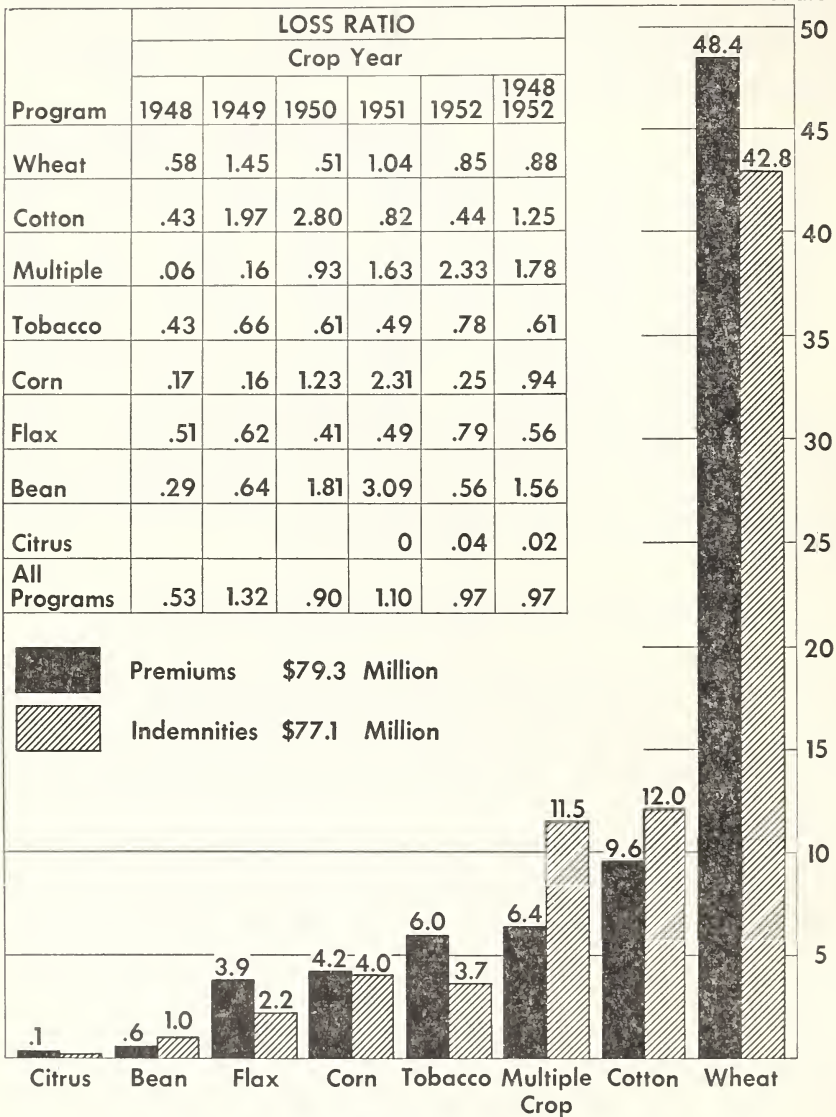
Million  
Dollars

FIGURE 2.

The chart and loss ratio table (fig. 2) provide a brief summary of the experience during this period for each program as well as the combined experience.

In 3 of these 5 years premium income exceeded the losses paid. The high-risk nature of this insurance is emphasized by the fact that during the period 97 cents out of each premium dollar was required to pay losses.



The variation in experience between programs and years points up the fact that a sounder operation would result from a wider spreading of the risk between crops and areas than currently exists. This insurance fact is illustrated by the combined experience compared with the wheat experience in the 2 years (1949 and 1951) when losses exceeded premium income. In both of these years the wheat program shows losses exceeding premium income, while the opposite is true in the 3 years with a favorable ratio of premiums to indemnities. This is to be expected since well over half of the insurance operation was in wheat.

Early in its study of crop insurance experience and operations, the new Board of Directors recognized that a sounder operation could be expected by spreading the crop insurance risk more widely and increasing the premium income.

A detailed summary by years for each commodity and the total for all commodities including the number of counties, insured units, net acres, and losses as well as the premium, indemnity, and liability information will be found in table 1, on page 10.

Figure 3 shows the causes of loss for all insured crops during the 5-year period:

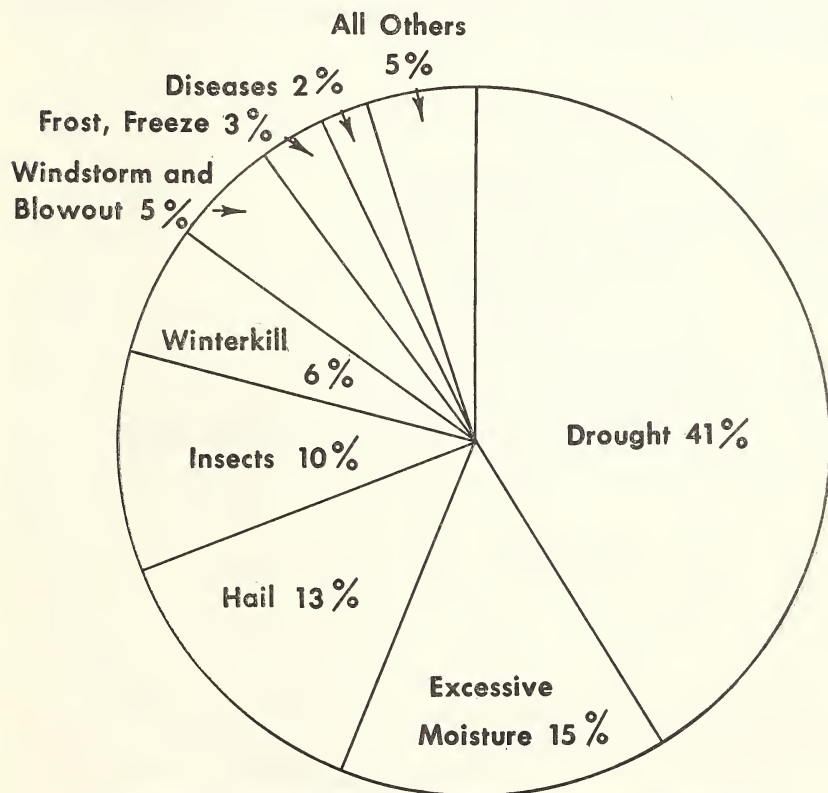


FIGURE 3.—Cause of loss for all insured crops, 1948-52 crop years.

Although those who follow crop conditions would expect drought to be the predominant cause of loss, the contrast of too much moisture being second will surprise many. The pattern of the causes of loss naturally varies widely between years with the percentage from some causes resulting chiefly from one year in which losses of this kind were heavy.

### THE 1952 OPERATING EXPERIENCE

Drought caused many severe losses in the Great Plains and the South in 1952 and threatened nearly a total loss in the spring wheat area for a prolonged period before the rains finally came. In every program except corn drought was the major cause of loss. Too much moisture and floods accounted for 60 percent of the corn indemnities. Figure 4 shows the distribution of losses between the various causes in 1952.

In the face of the extensive drought in 1952 which has extended into 1953 in several large areas, the 1952 loss experience corresponded to the cumulative experience for the 5-year period with 97 cents of each premium dollar required to pay losses. Out of a premium income of \$21,208,324 loss claims were paid totalling \$20,611,557. This represented a significant contribution to the financial and credit positions of many farmers whose crops failed to return the money spent in their production effort.

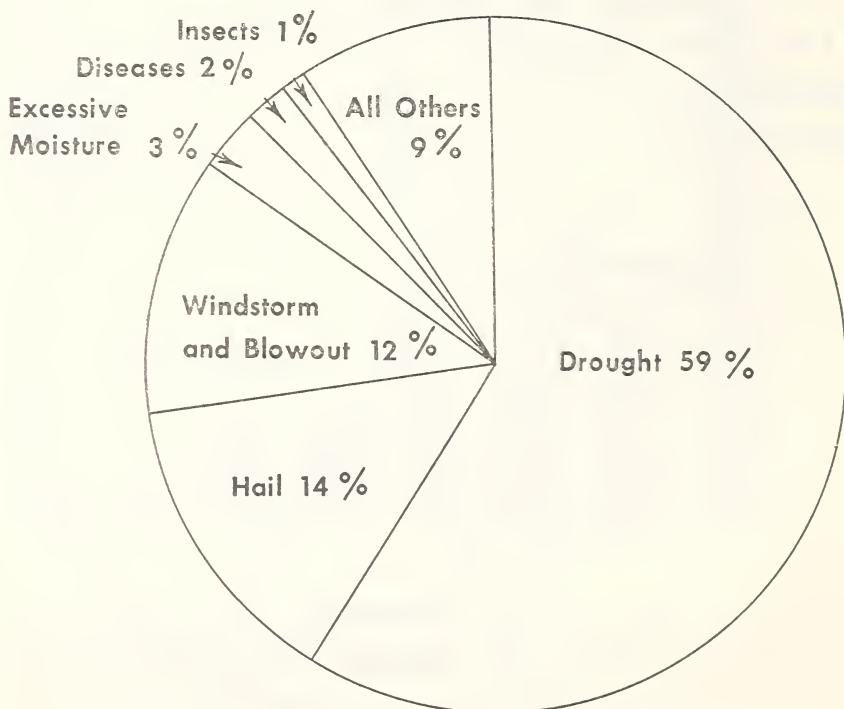


FIGURE 4.—Causes of loss for all insured crops, 1952 crop year.

The 1952 experience illustrates the progress that has been made in improving the soundness of crop insurance operations since similar weather conditions in the earlier days of the program would have resulted in losses exceeding premiums by a large margin.

The tabulation below shows by programs the over-all picture on the 1952 operating experience:

Program:	<i>Amount of premiums</i>	<i>Amount of indemnities</i>	<i>Loss ratio</i>
Wheat.....	\$12, 445, 499	\$10, 570, 843	0. 85
Multiple crop.....	3, 022, 630	7, 048, 554	2. 33
Cotton.....	2, 079, 247	922, 003	. 44
Tobacco.....	1, 544, 707	1, 212, 418	. 78
Corn.....	1, 350, 232	338, 545	. 25
Flax.....	512, 054	406, 697	. 79
Beans.....	197, 972	110, 079	. 56
Citrus.....	55, 982	2, 418	. 04
Total.....	21, 208, 323	20, 611, 557	0. 97

It will be noted that despite heavy drought losses on many winter and spring wheat farms the wheat program emerged with only 85 percent of the premiums required to pay the losses. The final results in wheat and flax must be regarded as very favorable in view of the catastrophe that threatened many of these counties for a long time before spring rains fell.

The experience indicates that, although wheat losses reached catastrophic proportions in several areas, the risk was spread widely enough so that these heavy losses were more than offset by good experience in other counties.

Multiple Crop Insurance was the only program in 1952 that operated with losses exceeding premium income. Multiple losses were more than double the premium income. In view of the loss ratios on other programs, the 1952 Multiple experience resulted in this program receiving immediate attention and study by the new Board of Directors.

The Multiple program is more experimental in nature than any of the other programs. Under this plan, the combined investment in several crops is insured and no insured loss occurs until the combined returns from all insured crops fall below the coverage for the farm. Because of the offsetting of risk to be expected between crops when several are insured as one, substantial reduction in premium has been allowed in multiple insurance based generally on the amount of diversification between crops.

The coverage under the multiple contracts due to the inclusion of several crops is comparatively high. The 1952 experience reflects catastrophic losses in quite a number of multiple counties with high participation. These were counties where drought did not spare any of the crops, so that there was no appreciable amount of offsetting of loss by production from other crops.

The value of this plan of insurance to the farmers in these counties—chiefly in North Dakota, Tennessee, and Texas—was very great in cushioning the impact of destruction of their crops by drought. Al-

though the basic idea of offering the protection of his crop investment is an important goal, it appears that some modification of the method of attaining this objective may be necessary. The Corporation expects to test a plan under which insurance will be offered on all the major crops in the county with premiums, coverages, and loss adjustments applying to the crops individually to determine whether in some areas, at least, this may not be a sounder approach to providing more complete coverage for farmers with diversified production. Farmers in many of the present Multiple counties have indicated that they would prefer this type of program although premium costs would be considerably higher than under the present Multiple plan.

Figures 5 and 6 present a comparison of the yield per acre of all crops as a percentage of normal in 1952 with the loss ratio for all insured crops on a State basis. Although insurance is not available in all counties in each State, it will be noted that generally there is a close correlation between the experience shown on these maps. However, a few instances will be noted, such as Utah, where a heavy loss in one of only three insurance counties makes the insurance loss ratio out of line with the yield experience shown on the BAE map.

A detailed summary of the 1952 crop insurance experience by States is shown in table 2, page 12, including the premium, liability, and indemnity figures as well as the number of counties, units, net acres insured, and claims paid.

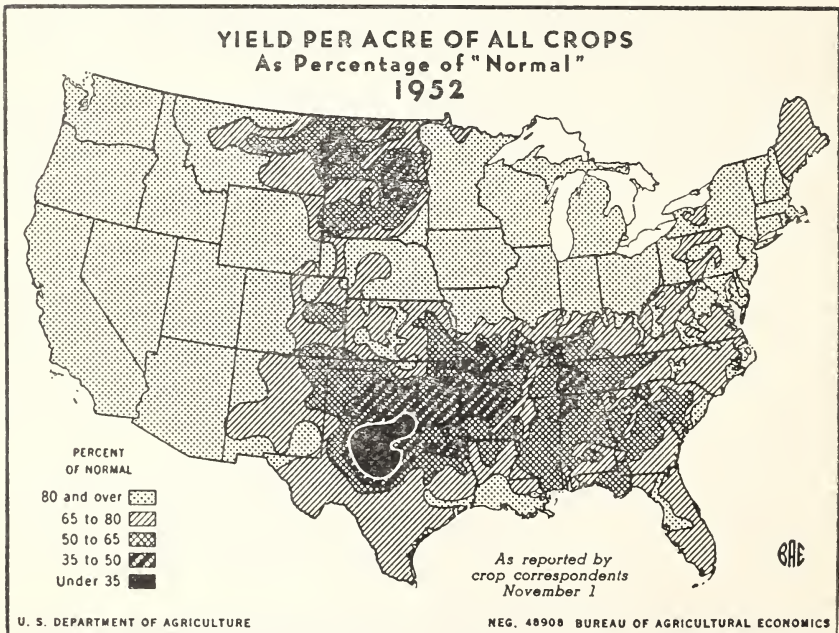


FIGURE 5.



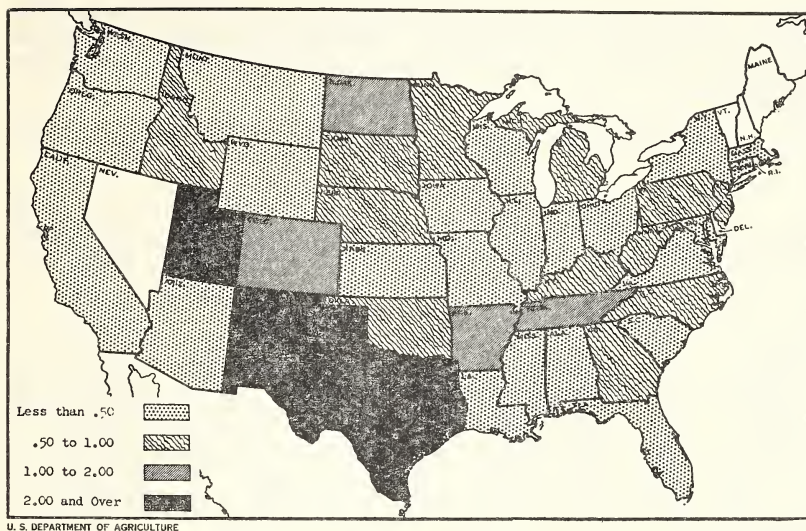


FIGURE 6.—1952 crop insurance loss ratios by states.

## OPERATIONS TO BE SIMPLIFIED AND STRENGTHENED

The new Board of Directors of the Corporation, appointed in May of 1953 represents considerably more business experience in the insurance field than any previous Board. The Board is studying the Corporation's operating methods, program provisions, and experience to determine ways and means of strengthening the soundness of crop insurance operations and improving administrative efficiency and economy.

The need for simplification of operations, contracts, and procedures in the interest of efficiency and economy became apparent early in the Board's study and work in this direction is under way. Established insurance methods will be utilized more than in the past in servicing and selling the insurance. While making a general change in this direction, administrative experiments will be conducted to determine the most efficient and economical methods of handling the field work under the varying conditions that exist. Combinations have already been effected in the field and the headquarter's office designed to promote efficiency and economy by moving operations into supervisory units more in line with the workload currently involved.

Detailed study of the underwriting experience and methods has been started and will continue. While improving the program's service to the farmer and the Nation, attention will be given to developing more attractive insurance protection for the farmer which, at the same time, will be sounder from an insurance standpoint.

At this early stage of the new Board's review, it is apparent that continuing study and effort can result in major improvements in crop insurance operations from both administrative and program stand-



points. Changes will be made after careful study and experimentation where necessary so that steady progress can be made in strengthening the soundness of operations and the efficiency with which they are handled.

TABLE 1.—*Federal crop insurance experience, 1948-52 (as of June 30, 1953)*

Commodity and year	Coun- ties partici- pating	Insured units <sup>1</sup>	Net percentage insured <sup>2</sup>	Maximum liability	Amount of pre- miums	Num- ber of in- dem- nities	Amount of in- dem- nities	Loss ratio
	Number	Number	1,000 acres	1,000 dollars	1,000 dollars		1,000 dollars	
Wheat:								
1948-----	200	96, 156	6, 515	84, 555	8, 580	9, 929	5, 010	0. 58
1949-----	199	78, 222	7, 760	83, 531	7, 712	17, 824	11, 209	1. 45
1950-----	283	107, 097	8, 922	95, 867	8, 394	12, 302	4, 287	. 51
1951-----	356	129, 847	8, 733	131, 382	11, 255	27, 062	11, 727	1. 04
1952-----	390	140, 371	9, 912	149, 422	12, 445	17, 724	10, 571	. 85
Total-----					48, 386		42, 804	. 88
Multiple crop:								
1948-----	2	824	46	587	24	11	1	. 06
1949-----	7	3, 028	337	4, 100	137	110	22	. 16
1950-----	55	32, 250	2, 849	36, 305	1, 268	4, 061	1, 174	. 93
1951-----	95	39, 844	4, 494	52, 670	1, 987	7, 082	3, 237	1. 63
1952-----	115	47, 679	3, 896	68, 849	3, 023	9, 866	7, 049	2. 33
Total-----					6, 439		11, 483	1. 78
Cotton:								
1948-----	53	22, 024	682	22, 119	1, 411	2, 615	605	. 43
1949-----	52	29, 603	976	26, 718	1, 580	9, 512	3, 112	1. 97
1950-----	80	69, 887	1, 180	33, 363	1, 837	31, 244	5, 148	2. 80
1951-----	101	54, 216	1, 044	44, 845	2, 696	8, 154	2, 203	. 82
1952-----	98	40, 128	795	38, 007	2, 079	3, 629	922	. 44
Total-----					9, 603		11, 990	1. 25
Tobacco:								
1948-----	32	39, 797	136	21, 333	655	1, 930	285	. 43
1949-----	35	44, 086	129	22, 931	740	3, 644	489	. 66
1950-----	52	93, 130	271	47, 555	1, 461	7, 690	887	. 61
1951-----	69	92, 889	166	50, 348	1, 599	4, 880	781	. 49
1952-----	82	95, 786	160	52, 482	1, 545	8, 092	1, 212	. 78
Total-----					6, 000		3, 654	. 61
Corn:								
1948-----	36	16, 518	752	11, 166	435	310	74	. 17
1949-----	44	23, 764	1, 079	16, 683	587	549	95	. 16
1950-----	73	36, 868	1, 302	20, 126	741	4, 006	911	1. 23
1951-----	98	42, 097	1, 156	27, 929	1, 109	8, 230	2, 567	2. 31
1952-----	99	40, 893	1, 188	31, 284	1, 350	1, 256	339	. 25
Total-----					4, 222		3, 986	. 94

See footnotes at end of table.

TABLE 1.—*Federal crop insurance experience, 1948-52 (as of June 30, 1953)*—Continued

Commodity and year	Counties participating	Insured units <sup>1</sup>	Net acreage insured <sup>2</sup>	Maximum liability	Amount of premiums	Number of indemnities	Amount of indemnities	Loss ratio
	Number	Number	1,000 acres	1,000 dollars	1,000 dollars		1,000 dollars	
Flax:								
1948-----	48	17, 255	754	13, 468	1, 547	1, 931	795	0. 51
1949-----	48	16, 768	683	7, 783	882	2, 599	543	. 62
1950-----	63	17, 026	643	4, 999	496	1, 474	205	. 41
1951-----	61	15, 821	445	4, 698	465	1, 857	226	. 49
1952-----	59	13, 128	382	6, 161	512	1, 746	407	. 79
Total-----					3, 902		2, 176	. 56
Beans, dry edible:								
1948-----	4	1, 577	38	754	32	76	9	. 29
1949-----	9	3, 184	103	1, 737	95	323	61	. 64
1950-----	18	5, 202	108	2, 293	103	1, 070	187	1. 81
1951-----	29	8, 050	140	3, 961	193	1, 555	599	3. 11
1952-----	30	6, 478	107	3, 173	198	623	110	. 56
Total-----					621		966	1. 56
Citrus:								
1951-----	1	291	8	1, 137	82	0	0	0
1952-----	1	202	5	804	56	1	2	. 04
Total-----					138		2	. 02
Total all commodities: <sup>3</sup>								
1948-----	375	194, 151	8, 923	153, 982	12, 684	16, 802	6, 780	. 53
1949-----	394	198, 655	11, 067	163, 483	11, 733	34, 561	15, 531	1. 32
1950-----	624	361, 460	15, 275	240, 508	14, 300	61, 847	12, 799	. 90
1951-----	812	383, 055	16, 186	316, 970	19, 385	58, 820	21, 339	1. 10
1952-----	874	384, 665	16, 449	350, 182	21, 208	42, 937	20, 612	. 97
Total-----					79, 310		77, 061	. 97

<sup>1</sup> Number of farms on which the insured crop was planted, includes duplication if both the landlord and tenant are insured. Insured farms on which no insured crop was planted are not included.

<sup>2</sup> The insured's share of the planted acreage on the farm.

<sup>3</sup> The total of counties participating includes duplications where more than one crop was insured in a county.

TABLE 2.—1952 crop insurance experience (as of June 30, 1953)

State and crop	Counties partic- ipating	Insured units	Net acreage insured	Maxi- mum liability	Amount of pre- miums	Number of indem- nities	Amount of indem- nities	Loss ratio
	Number	Number	1,000 acres	1,000 dollars	1,000 dollars		1,000 dollars	
Alabama:								
Cotton.....	13	10, 238	82	5, 222	253	465	51	0. 20
Multiple.....	3	353	8	238	9	43	4	. 46
Total.....	16	10, 591	90	5, 460	262	508	55	. 21
Arizona:								
Cotton.....	1	88	16	1, 747	54	1	2	. 04
Beans.....	1	10	( <sup>1</sup> )	15	1	6	2	2. 59
Total.....	2	98	16	1, 762	55	7	4	. 07
Arkansas:								
Cotton.....	9	2, 922	50	2, 791	134	424	126	. 94
Multiple.....	2	304	18	594	20	72	32	1. 56
Total.....	11	3, 226	68	3, 385	154	496	158	1. 03
California:								
Wheat.....	6	717	129	2, 681	331	137	133	. 40
Total.....	6	717	129	2, 681	331	137	133	. 40
Colorado:								
Wheat.....	14	4, 809	664	5, 951	751	878	926	1. 23
Beans.....	4	401	21	362	36	29	7	. 20
Multiple.....	5	2, 241	180	3, 321	135	412	333	2. 46
Total.....	23	7, 451	865	9, 634	922	1, 319	1, 266	1. 37
Connecticut:								
Tobacco.....	1	708	5	1, 963	107	26	25	. 23
Total.....	1	708	5	1, 963	107	26	25	. 23
Delaware:								
Multiple.....	1	189	10	259	6	5	1	. 19
Total.....	1	189	10	259	6	5	1	. 19
Florida:								
Tobacco.....	4	1, 465	4	1, 045	33	66	14	. 44
Multiple.....	1	186	3	44	1	4	( <sup>1</sup> )	. 06
Citrus.....	1	202	5	804	56	1	2	. 04
Total.....	6	1, 853	12	1, 893	90	71	16	. 18
Georgia:								
Cotton.....	6	1, 305	14	670	33	73	6	. 18
Tobacco.....	8	2, 691	6	1, 686	66	291	56	. 84
Multiple.....	6	501	26	691	24	91	21	. 89
Total.....	20	4, 497	46	3, 047	123	455	83	. 67

<sup>1</sup> Less than 500.

TABLE 2.—1952 crop insurance experience (as of June 30, 1953)—Con.

State and crop	Counties partici- pating	Insured units	Net acreage insured	Maxi- mum liability	Amount of pre- miums	Number of indem- nities	Amount of indem- nities	Loss ratio
	<i>Number</i>	<i>Number</i>	<i>1,000 acres</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>		<i>1,000 dollars</i>	
Idaho:								
Wheat.....	8	1, 054	85	2, 224	95	58	56	0. 58
Beans.....	4	537	6	312	10	5	( <sup>1</sup> )	. 04
Total.....	12	1, 591	91	2, 536	105	63	56	. 53
Illinois:								
Wheat.....	20	11, 608	189	4, 014	268	302	31	. 11
Corn.....	18	4, 710	137	4, 364	184	191	108	. 59
Multiple.....	5	1, 197	35	781	30	261	66	2. 22
Total.....	43	17, 515	361	9, 159	482	754	205	. 43
Indiana:								
Wheat.....	17	6, 988	90	2, 150	99	156	15	. 15
Corn.....	9	3, 567	65	2, 214	81	271	51	. 63
Multiple.....	2	384	13	416	11	22	6	. 53
Total.....	28	10, 939	168	4, 780	191	449	72	. 38
Iowa:								
Flax.....	1	80	2	43	3	5	1	. 31
Corn.....	25	12, 058	426	11, 559	459	146	58	. 13
Multiple.....	11	4, 894	317	9, 355	362	213	103	. 28
Total.....	37	17, 032	745	20, 957	824	364	162	. 20
Kansas:								
Wheat.....	67	20, 443	1, 545	14, 284	1, 360	656	160	. 12
Corn.....	3	983	25	416	28	117	18	. 63
Multiple.....	8	2, 267	110	1, 752	72	286	51	. 71
Total.....	78	23, 693	1, 680	16, 452	1, 460	1, 059	229	. 16
Kentucky:								
Tobacco.....	17	17, 941	20	5, 545	193	1, 370	121	. 62
Total.....	17	17, 941	20	5, 545	193	1, 370	121	. 62
Louisiana:								
Cotton.....	7	1, 343	18	1, 102	53	79	10	. 18
Multiple.....	5	1, 477	41	1, 659	70	56	33	. 47
Total.....	12	2, 820	59	2, 761	123	135	43	. 35
Maryland:								
Wheat.....	2	458	11	180	7	3	( <sup>1</sup> )	. 05
Corn.....	1	351	11	243	6	0	0	0
Multiple.....	1	188	11	285	6	2	( <sup>1</sup> )	. 08
Total.....	4	997	33	708	19	5	1	. 05

<sup>1</sup> Less than 500.



TABLE 2.—1952 crop insurance experience (as of June 30, 1953)—Con.

State and crop	Counties partici- pating	Insured units	Net acreage insured	Maxi- mum liability	Amount of pre- miums	Number of indem- nities	Amount of indem- nities	Loss ratio
	<i>Number</i>	<i>Number</i>	<i>1,000 acres</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>		<i>1,000 dollars</i>	
Massachusetts:								
Tobacco-----	1	253	1	456	24	2	1	0.03
Total-----	1	253	1	456	24	2	1	.03
Michigan:								
Wheat-----	11	4,361	62	1,232	41	162	15	.37
Corn-----	2	612	8	202	7	36	4	.59
Beans-----	8	2,741	34	817	43	390	51	1.19
Multiple-----	6	1,616	57	1,457	34	150	22	.65
Total-----	27	9,330	161	3,708	125	738	92	.74
Minnesota:								
Wheat-----	12	5,861	287	5,711	257	1,067	315	1.22
Flax-----	34	7,414	187	3,298	284	904	204	.72
Corn-----	9	6,115	205	4,804	180	63	12	.06
Multiple-----	11	6,200	524	9,466	286	365	125	.44
Total-----	66	25,590	1,203	23,279	1,007	2,399	656	.65
Mississippi:								
Cotton-----	16	5,641	89	6,912	261	380	75	.29
Multiple-----	2	117	3	68	3	7	1	.38
Total-----	18	5,758	92	6,980	264	387	76	.29
Missouri:								
Wheat-----	18	3,841	70	1,097	104	213	33	.32
Corn-----	7	1,918	51	1,142	60	157	41	.68
Multiple-----	1	376	33	600	20	1	( <sup>1</sup> )	.01
Total-----	26	6,135	154	2,839	184	371	74	.40
Montana:								
Wheat-----	18	7,692	1,184	20,089	2,286	1,211	994	.43
Total-----	18	7,692	1,184	20,089	2,286	1,211	994	.43
Nebraska:								
Wheat-----	27	8,931	518	9,346	1,064	732	725	.68
Corn-----	6	1,830	72	1,461	90	17	4	.05
Beans-----	2	1,460	21	944	68	71	16	.23
Multiple-----	3	977	69	1,317	82	99	66	.81
Total-----	38	13,198	680	13,068	1,304	919	811	.62
New Jersey:								
Multiple-----	1	290	15	695	17	20	10	.57
Total-----	1	290	15	695	17	20	10	.57

<sup>1</sup>Less than 500.



TABLE 2.—1952 crop insurance experience (as of June 30, 1953)—Con.

State and crop	Counties partici- pating	Insured units	Net acreage insured	Maxi- mum liability	Amount of pre- miums	Number of indem- nities	Amount of indem- nities	Loss ratio
	Number	Number	1,000 acres	1,000 dollars	1,000 dollars		1,000 dollars	
New Mexico:								
Wheat.....	2	1, 067	226	2, 821	591	967	2, 099	3. 55
Cotton.....	3	899	40	3, 843	245	26	38	. 16
Beans.....	2	80	7	66	10	47	20	2. 04
Total.....	7	2, 046	273	6, 730	846	1, 040	2, 157	2. 55
New York:								
Wheat.....	3	536	8	221	10	7	1	. 08
Peas.....	6	904	12	419	19	62	10	. 54
Multiple.....	1	177	9	268	6	6	2	. 35
Total.....	10	1, 617	29	908	35	75	13	. 37
North Carolina:								
Cotton.....	6	4, 463	31	1, 549	84	73	6	. 07
Tobacco.....	18	25, 691	63	21, 415	507	2, 307	558	1. 10
Multiple.....	1	59	2	66	2	0	0	0
Total.....	25	30, 213	96	23, 030	593	2, 380	564	. 95
North Dakota:								
Wheat.....	46	23, 364	1, 948	27, 637	2, 099	6, 228	2, 895	1. 38
Flax.....	16	4, 182	151	2, 196	169	638	165	. 97
Corn.....	1	182	6	78	9	4	1	. 12
Multiple.....	7	8, 796	1, 403	17, 621	823	3, 593	2, 462	2. 99
Total.....	70	36, 524	3, 508	47, 532	3, 100	10, 463	5, 523	1. 78
Ohio:								
Wheat.....	20	9, 641	142	3, 975	159	218	21	. 14
Tobacco.....	1	1, 135	1	431	17	16	3	. 20
Corn.....	7	2, 731	41	1, 446	47	81	12	. 26
Multiple.....	2	493	15	387	11	13	3	. 27
Total.....	30	14, 000	199	6, 239	234	328	39	. 17
Oklahoma:								
Wheat.....	23	10, 092	768	9, 144	763	643	320	. 42
Cotton.....	2	474	15	352	34	352	109	3. 24
Multiple.....	1	68	2	32	2	16	3	1. 19
Total.....	26	10, 634	785	9, 528	799	1, 011	432	. 54
Oregon:								
Wheat.....	9	1, 896	361	10, 484	308	42	22	. 07
Multiple.....	3	636	31	947	28	39	9	. 33
Total.....	12	2, 532	392	11, 431	336	81	31	. 09

TABLE 2.—1952 crop insurance experience (as of June 30, 1953)—Con.

State and crop	Counties participating	Insured units	Net acreage insured	Maximum liability	Amount of premiums	Number of indemnities	Amount of indemnities	Loss ratio
	Number	Number	1,000 acres	1,000 dollars	1,000 dollars		1,000 dollars	
Pennsylvania:								
Wheat-----	5	1,366	18	558	18	46	4	0.19
Tobacco-----	1	986	3	801	20	124	22	1.06
Corn-----	3	981	14	461	12	50	6	.47
Multiple-----	2	447	12	338	9	39	4	.51
Total-----	11	3,780	47	2,158	59	259	36	.61
South Carolina:								
Cotton-----	9	3,997	33	1,950	150	284	41	.28
Tobacco-----	5	6,023	13	5,208	150	286	71	.47
Total-----	14	10,020	46	7,158	300	570	112	.37
South Dakota:								
Wheat-----	25	8,529	590	6,855	763	2,901	839	1.10
Flax-----	8	1,452	42	624	56	199	37	.66
Corn-----	2	1,995	77	1,360	111	28	9	.08
Multiple-----	8	5,176	549	7,732	354	548	246	.70
Total-----	43	17,152	1,258	16,571	1,284	3,676	1,131	.88
Tennessee:								
Cotton-----	4	1,465	14	718	37	62	6	.17
Tobacco-----	13	27,068	22	7,322	256	3,033	248	.97
Multiple-----	6	4,760	85	2,710	116	1,409	257	2.22
Total-----	23	33,293	121	10,750	409	4,504	511	1.25
Texas:								
Wheat-----	20	3,852	405	4,232	590	833	604	1.02
Cotton-----	22	7,293	392	11,152	741	1,410	453	.61
Multiple-----	4	2,282	270	4,508	452	2,003	3,170	7.02
Total-----	46	13,427	1,067	19,892	1,783	4,246	4,227	2.37
Utah:								
Wheat-----	2	381	46	1,176	32	131	231	7.23
Multiple-----	1	148	4	79	2	21	5	2.17
Total-----	3	529	50	1,255	34	152	236	6.94
Virginia:								
Tobacco-----	11	10,232	18	5,640	139	331	61	.44
Total-----	11	10,232	18	5,640	139	331	61	.44
Washington:								
Wheat-----	12	2,407	518	12,800	395	116	117	.30
Total-----	12	2,407	518	12,800	395	116	117	.30
West Virginia:								
Multiple-----	1	190	5	112	3	9	2	.59
Total-----	1	190	5	112	3	9	2	.59

TABLE 2.—1952 crop insurance experience (as of June 30, 1953)—Con.

State and crop	Counties participating	Insured units	Net acreage insured	Maximum liability	Amount of premiums	Number of indemnities	Amount of indemnities	Loss ratio
	<i>Number</i>	<i>Number</i>	<i>1,000 acres</i>	<i>1,000 dollars</i>	<i>1,000 dollars</i>		<i>1,000 dollars</i>	
Wisconsin:								
Tobacco-----	2	1, 593	4	970	33	185	22	0. 68
Corn-----	6	2, 860	53	1, 537	77	92	14	. 18
Multiple-----	2	484	24	572	13	44	6	. 49
Total-----	10	4, 937	81	3, 079	123	321	42	. 34
Wyoming:								
Wheat-----	3	477	50	561	55	15	14	. 26
Peas-----	3	345	5	237	12	12	3	. 25
Multiple-----	2	206	16	480	14	9	2	. 17
Total-----	8	1, 028	71	1, 278	81	36	19	. 23
Indemnities payable (Estimated)								
Multiple-----						8	2	-----
Wheat-----						2	1	-----
Peas-----						1	(1)	-----
Corn-----						3	1	-----
Tobacco-----						55	11	-----
Total-----	874	384, 665	16, 449	350, 182	21, 211	42, 937	20, 612	. 97

<sup>1</sup> Less than 500.

## FINANCIAL STATEMENTS

### General Comments

The financial statements consist of: (1) Comparative balance sheet (exhibit A, p. 22), reflecting the financial condition of the Corporation at June 30, 1953, and June 30, 1952; (2) analysis of insurance reserves for the crop years 1948 through 1952 (exhibit A-1, p. 23); (3) comparative statement of insurance operations for the crop years 1952 and 1951 (exhibit B, p. 23); and (4) comparative statement of operating and administrative expenses for the 1953 and 1952 fiscal years (exhibit C, p. 24). The comparative balance sheet does not include administrative funds, which are appropriated by the Congress on an annual basis to cover operating and administrative expenses.

The financial statements do not reflect transactions relating to insurance premium income and indemnities on the 1953 crops for contracts in force on June 30, 1953, except for insurance premiums paid before maturity dates of premium notes, and early wheat insurance premiums billed and recorded prior to June 30, 1953, less approved indemnity claims covering early losses on the 1953 crops. Such items are classified in the comparative balance sheet as deferred credits and deferred income, as of the close of the fiscal year and are not taken up in the operating accounts until after June 30, 1953.

It is estimated that insurance premiums will approximate 27 million dollars on 1953 insured crops. Substantially all indemnity losses on the 1953 insured crops will be determined and paid subsequent to June 30, 1953.

The following comments are made with respect to the items appearing in the financial statements as of June 30, 1953:

### Comparative Balance Sheet

(Exhibit A, p. 22)

#### Cash

Cash amounting to \$32,874,832.10 was on deposit (or in transit) with the Treasurer of the United States and the Federal Reserve Bank of Chicago as of June 30, 1953. Receipts and disbursements handled by the Chicago Branch Office of the Corporation are processed through the accounts of the Regional Disbursing Officer of the Treasury Department, the Federal Reserve Bank of Chicago being the depository. Receipts and disbursements handled by the Corporation's Washington Office are processed through the accounts of the Chief Disbursing Officer of the Treasury Department, Washington, D. C. Treasury Department facilities are utilized in making deposits and disbursements.



**Accounts Receivable**

Unpaid accounts of insured producers amounting to \$7,795,944.29 as of June 30, 1953, consist chiefly of amounts due on crop insurance premium notes. This amount also includes overpayments of indemnities to insured producers; credit items representing overpayments by insured producers which are to be refunded; and unpaid interest due on 1945-52 crop year premium notes paid in full except for accrued interest. Unpaid accounts and premium collection activities for the 1953 fiscal year are summarized as follows:

Unpaid balance June 30, 1952, for 1951 and prior crop years-----	\$3, 449, 097. 00	
Collections, adjustments, etc-----	835, 866. 79	\$2, 613, 230. 21
1952 crop year premiums-----	21, 208, 324. 34	
Collections-----	20, 471, 070. 98	737, 253. 36
		<hr/>
		3, 350, 483. 57
1953 crop year premiums recorded-----	7, 104, 024. 10	
Collections-----	2, 658, 563. 38	4, 445, 460. 72
		<hr/>
Unpaid balance June 30, 1953-----		<u>7, 795, 944. 29</u>

Collections, adjustments, etc., in the amount of \$835,866.79 are 24.2 percent of the June 30, 1952, accounts receivable applicable to the 1951 and prior crop years. The unpaid balances for these years at June 30, 1953, amounting to \$2,613,230.21 represent 1.5 percent of the earned premiums. Collections applicable to the 1952 crop year amounting to \$20,471,070.98, represent 97 percent of the premiums earned for that crop year. The accounts receivable for all crop years prior to 1953, amounting to \$3,350,483.57, represent 1.73 percent of the earned premiums for those crop years.

The Corporation continued with an aggressive collection policy during the 1953 fiscal year. Throughout the year concerted action was taken to collect unpaid accounts, including the institution of legal proceedings wherever necessary.

The provision for uncollectible accounts amounting to \$2,505,930.29 represents the balance of reserve provisions established as applicable to unpaid balances of premiums for crop years 1942 through 1952. The increase of \$104,576.37 in the reserve during the year consists of a provision of \$212,000 for 1952 crop year accounts and transfer of the balance of \$38,801.36 from the reserve for contingencies account, less charges of \$146,224.99 for accounts determined to be uncollectible and written off during fiscal year 1953.

**Accounts Payable**

Indemnities payable amounting to \$17,813.72 represent the Corporation's estimated liability to insured producers as of June 30, 1953, for 1951 and 1952 loss claims that have not been presented to the Corporation for payment. The decrease of \$27,367.17 in estimated indemnities payable represents the net decrease in the Corporation's liability during fiscal year 1953.



### Deferred Credits

Unapplied premium receipts amounting to \$1,680.20 consist of insurance premiums not immediately identified, which are placed in this account until proper application can be made.

The balance of advance premium payments amounting to \$2,915,634.02, as of June 30, 1953, represents 1953 insurance premiums collected before maturity.

### Deferred Income

Deferred income consists of 1953 crop year wheat insurance premiums recorded prior to June 30, 1953, less approved indemnity claims for the 1953 crop year as follows:

Premiums recorded (less cash discounts)-----	\$7, 104, 024. 10
Less: Approved indemnity claims-----	846, 659. 44
Net amount-----	<u>6, 257, 364. 66</u>

The increase of \$225,098.23 in deferred income represents the net increase in premiums recorded for crop year 1953 over the preceding crop year.

### Other Liabilities

The provision for surety losses amounting to \$25,000 constitutes a continuing provision for past and future unrecoverable money or property loss due to fire, theft, and other unavoidable causes. This provision for self-insurance has been much more economical than the cost of premiums for employee surety bond protection furnished by private surety companies. Two losses amounting to \$34 were charged against the provision during the 1953 fiscal year and that amount was restored to the account prior to the close of the fiscal year.

The provision for adjustments was established during the fiscal years 1949 and 1950 as a reserve against which unpaid losses and adjustments for the 1947 and prior crop years could be charged. During the 1953 fiscal year premium and indemnity adjustments in the net amount of \$2,174.02 applicable to the 1942-47 crop years were credited to this account. The balance in the account amounting to \$38,801.36 was transferred on June 30, 1953, to the provision for uncollectible accounts.

### Capital

Of the \$100,000,000 capital stock authorized, \$27,000,000 was outstanding as of June 30, 1953. There was no change in the capital stock account during the 1953 fiscal year.

Insurance reserves amounting to \$1,946,520.53, represent the excess of insurance premiums and other income over indemnities and other expense for crop years 1948 through 1952, as reflected in the analysis of insurance reserves (exhibit A-1, p. 23).

**Analysis of Insurance Reserves**

(Exhibit A-1, p. 23)

Exhibit A-1 presents an analysis of insurance reserves of the Corporation by commodities for 1948 through 1952 crop years. Insurance premiums amounting to \$79,310,912.57, less indemnities of \$77,060,773.62, resulted in a surplus of \$2,250,138.95 for the 5 years for all insured commodities, or a loss ratio of 0.97. After deducting other expense (net) of \$303,618.42, the insurance reserves for the crop years 1948 through 1952 amounted to \$1,946,520.53. Other income and expense is composed of the following:

Other income:		
Interest income.....	\$627, 022. 01	
Storage income.....	128, 892. 88	
Nonrefundable credits.....	5, 442. 51	
		<hr/>
		\$761, 357. 40
Other expense:		
Provision for uncollectible accounts (net).....	557, 657. 02	
Debt cancellations.....	41, 042. 98	
Cash discount.....	466, 275. 82	
		<hr/>
		1, 064, 975. 82
Other expense (net).....		<hr/>
		303, 618. 42

**Comparative Statement of Insurance Operations**

(Exhibit B, p. 23)

Exhibit B sets forth a statement of insurance operations by commodities as of June 30, 1953, for crop year 1952 and comparison with crop year 1951. This statement shows for the 1952 crop year premium income of \$21,208,324.34 and indemnities amounting to \$20,611,556.69, resulting in a premium surplus of \$596,767.65 for that crop year. After taking into consideration items of other income and expense a surplus of \$544,670.82 is indicated.

**Operating and Administrative Expenses**

(Exhibit C, p. 24)

Exhibit C reflects a comparison of operating and administrative expenses for the 1953 and 1952 fiscal years. The increase in total expenses, amounting to \$959,296.52 for the fiscal year 1953, as compared with that for fiscal year 1952, reflects further increase in cost of administration resulting from gradual expansion of the insurance programs commencing with crops planted for harvest in 1950, as provided in the Crop Insurance Act, as amended (Public Law 268, 81st Cong., approved August 25, 1949).

## Exhibit A

*Comparative balance sheet as of June 30, 1953, and June 30, 1952*

ASSETS			
	June 30, 1953	June 30, 1952	Increase or decrease (—)
Cash.....	\$32,874,832.10	\$31,508,841.91	\$1,365,990.19
Accounts receivable:			
Insured producers.....	7,795,944.29	7,605,812.44	190,131.85
Less: Provision for uncollectible accounts.....	2,505,930.29	2,401,353.92	104,576.37
Net amount.....	5,290,014.00	5,204,458.52	85,555.48
Total assets.....	38,164,846.10	36,713,300.43	1,451,545.67
LIABILITIES AND CAPITAL			
Accounts payable:			
Indemnities payable, estimated.....	\$17,813.72	\$45,180.89	—\$27,367.17
Returned checks unclaimed, canceled.....	724.55	3,854.66	—3,130.11
Due administrative funds.....	108.42	1,383.76	—1,275.34
Total accounts payable.....	18,646.69	50,419.31	—31,772.62
Deferred credits:			
Unapplied premium receipts.....	1,680.20	3,146.99	—1,466.79
Advance premium payments.....	2,915,634.02	2,172,603.35	743,030.67
Total deferred credits.....	2,917,314.22	2,175,750.34	741,563.88
Deferred income:			
1953 crop year premiums, net (less approved indemnity claims).....	6,257,364.66	6,032,266.43	225,098.23
Other liabilities:			
Provision for surety losses.....	25,000.00	25,000.00	-----
Provision for adjustments (1942-47 crop years).....	-----	36,627.34	—36,627.34
Total other liabilities.....	25,000.00	61,627.34	—36,627.34
Total liabilities.....	9,218,325.57	8,320,063.42	898,262.15
Capital:			
Capital stock authorized.....	100,000,000.00	100,000,000.00	-----
Less: Unissued stock.....	73,000,000.00	73,000,000.00	-----
Capital stock outstanding.....	27,000,000.00	27,000,000.00	-----
Insurance reserves:			
Wheat.....	5,583,459.71	3,705,751.53	1,877,708.18
Cotton.....	—2,386,840.78	—3,553,336.40	1,166,495.62
Flax.....	1,726,121.92	1,620,660.79	105,461.13
Corn.....	236,206.84	—774,064.89	1,010,271.73
Tobacco.....	2,346,100.81	2,013,991.07	332,109.74
Beans.....	—345,611.86	—431,848.90	86,237.04
Multiple crop.....	—5,044,476.16	—1,018,008.67	—4,026,467.49
Citrus.....	135,178.47	81,614.07	53,564.40
Undistributed.....	—303,618.42	—251,521.59	—52,096.83
Total insurance reserves, exhibit A-1.....	1,946,520.53	1,393,237.01	553,283.52
Total capital.....	28,946,520.53	28,393,237.01	553,283.52
Total liabilities and capital.....	38,164,846.10	36,713,300.43	1,451,545.67

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## Exhibit A-1

*Analysis of insurance reserves for crop years 1948 through 1952*

Commodity	Premiums	Indemnities	Surplus or deficit (—)	Loss ratio
Wheat.....	\$48,386,397.54	\$42,802,937.83	\$5,583,459.71	0.88
Cotton.....	9,602,743.68	11,989,584.46	-2,386,840.78	1.25
Flax.....	3,902,265.67	2,176,143.75	1,726,121.92	.56
Corn.....	4,222,032.63	3,985,825.79	1,236,206.84	.94
Tobacco.....	6,000,412.19	3,654,311.38	2,346,100.81	.61
Beans.....	621,435.49	967,047.35	-345,611.86	1.56
Multiple crop.....	6,438,029.35	11,482,505.51	-5,044,476.16	1.78
Citrus.....	137,596.02	2,417.55	135,178.47	.02
Total.....	79,310,912.57	77,060,773.62	2,250,138.95	.97
Other income and expense, net.....			-303,618.42	-----
Total insurance reserves (exhibit A).....			1,946,520.53	-----

## Exhibit B

*Comparative statement of insurance operations for crop years 1952 and 1951 as of June 30, 1953*

Item	Crop year		Increase or decrease (—)
	1952	1951	
<b>Premiums:</b>			
Wheat.....	\$12,445,499.15	\$11,254,763.30	\$1,190,735.85
Cotton.....	2,079,247.48	2,696,026.36	-616,778.88
Flax.....	512,054.45	465,164.40	46,890.05
Corn.....	1,350,231.60	1,109,375.35	240,856.25
Tobacco.....	1,544,707.45	1,598,601.28	-53,893.83
Beans.....	197,971.87	192,744.86	5,227.01
Multiple crop.....	3,022,630.39	1,986,739.86	1,035,890.53
Citrus.....	55,981.95	81,614.07	-25,632.12
Total.....	21,208,324.34	19,385,029.48	1,823,294.86
<b>Indemnities:</b>			
Wheat.....	10,570,843.17	11,726,792.45	-1,155,949.28
Cotton.....	922,002.70	2,202,511.25	-1,280,508.55
Flax.....	406,696.98	226,003.12	180,693.86
Corn.....	338,544.56	2,567,060.36	-2,228,515.80
Tobacco.....	1,212,418.09	781,447.54	430,970.55
Beans.....	110,079.41	599,082.06	-489,002.65
Multiple crop.....	7,048,554.23	3,236,535.23	3,812,019.00
Citrus.....	2,417.55	-----	2,417.55
Total.....	20,611,556.69	21,339,432.01	-727,875.32
Premium surplus (— deficit).....	596,767.65	-1,954,402.53	2,551,170.18
<b>Other income and expense:</b>			
Interest income.....	159,976.96	185,307.33	-25,330.37
Storage income.....	.55	138.72	-138.17
Nonrefundable credits.....	1,035.64	1,332.19	-296.55
Provision for uncollectible accounts.....	-189,296.61	-186,248.59	-3,048.02
Debt cancellations.....	-22,703.39	-7,751.41	-14,951.98
Cash discounts.....	-1,109.98	-268,705.17	267,595.19
Surplus (— deficit).....	544,670.82	-2,230,329.46	2,775,000.28
1952 surplus as above.....		544,670.82	-----
1950 surplus.....		1,422,882.39	-----
1949 surplus (— deficit).....		-3,631,224.50	-----
1948 surplus.....		5,840,521.28	-----
Insurance reserves (exhibit A).....		1,946,520.53	-----

## Exhibit C

*Comparative statement of operating and administrative expenses  
for the 1953 and 1952 fiscal years, as of June 30, 1953*

Description	Fiscal year		Increase or decrease (-)
	1953	1952	
Operating and administrative expenses:			
Personal services.....	\$3,244,400.32	\$3,056,192.37	\$188,207.95
Travel.....	798,651.75	689,438.83	109,212.92
Transportation of things.....	15,610.86	14,859.30	751.56
Communication services.....	29,392.24	29,174.46	217.78
Rents and utility services.....	131,168.55	121,913.72	9,254.83
Printing and reproduction.....	89,055.30	80,443.72	8,611.58
Other contractual services.....	29,169.06	16,086.73	13,082.33
Insurance contract sales commissions.....	614,172.85	349,954.68	264,218.17
Coverage and rate analysis expense.....	149,173.80	130,085.60	19,088.20
Premium collection expense.....	251,664.56	208,209.37	43,455.19
Contract sales and servicing expense.....	1,468,807.50	1,182,209.12	286,598.38
Audit expense.....	12,000.00	8,001.97	3,998.03
Supplies and materials.....	37,472.50	35,926.66	1,545.84
Social security contributions.....	17,681.69	15,071.60	2,610.09
Total expenses (excluding equipment purchases).....	6,888,420.98	5,937,568.13	950,852.85
Equipment purchases.....	29,830.32	21,386.65	8,443.67
Total expenses.....	6,918,251.30	5,958,954.78	959,296.52

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